

New York, N. Y.

June 24, 1944.

To the Stockholders of

PHILIP MORRIS & CO. LTD., INCORPORATED:

The Balance Sheet of your Company as of March 31, 1944, and its Statements of Income and Earned Surplus for the fiscal year ended on that date, are submitted herewith.

Net earnings for the year were \$6,650,664 as compared with net earnings of \$6,930,933 for the previous fiscal year. Despite an increase in dollar volume of sales to \$177,901,262 from \$141,046,615, we were unable to offset the effect of increased costs due principally to higher leaf tobacco prices. The Office of Price Administration has not permitted any increase in the prices chargeable for cigarettes and we do not venture to predict what action, if any, may be taken by that agency with respect thereto.

Dividends of \$4.50 per share were declared on the Common Stock, as well as the required amounts on the Cumulative Preferred Stock, 4¼% and 4½% Series.

At a special meeting on March 17, 1944, the stockholders adopted a retirement compensation plan for employees as recommended by the Board of Directors, votes representing 622,178 shares being in favor of the plan and 11,539 shares against it. The plan has been submitted to the Commissioner of Internal Revenue for a ruling that it qualifies under section 165 (a) of the Code and when such ruling is received it is planned to make the plan operative immediately. If the ruling is unfavorable, the Board of Directors may make such amendments as may be necessary to qualify the plan or the Board may terminate it.

Prices of leaf tobacco of the 1943 crop were extremely high and manufacturers were limited by Government regulation in the quantity they were permitted to purchase to approximately 80% of their usings during the twelve months ended June 30, 1943. This, in conjunction with increasing demand for our goods by the Armed Forces, caused us (as well as most other manufacturers of cigarettes) to institute a system of rationing. The outlook for an increased production of leaf tobacco by growers during the 1944 crop year appears promising at this writing.

* PHILIP MORRIS Cigarettes are our Company's principal product. Amongst the other brands manufactured by it are MARLBORO Cigarettes, ENGLISH OVALS Cigarettes and REVELATION and BOND STREET Smoking Tobaccos. Your support of these products is solicited both on the basis of their intrinsic merit and because your help in this way constitutes a valuable aid to the continued growth of the business.

Faithfully yours,

O. H. CHALKLEY,
President.

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